

TAB

(Personal introduction of witness to members--name, title, and thanking them for opportunity to appear as witness in presentation of this bill)

-REMARKS-

In the book before you, there is set forth the bill explanation and justification together with sectional analysis and explanation of this bill. My remarks generally follow the outline of the explanation and justification set forth at Tab ____ of your book.

The purpose of the bill is to bring up-to-date the Central Intelligence Agency Retirement Act and to bring it in line with legislation approved for Civil Service and Foreign Service employees. Authority is also provided for exemption for the Agency from the Federal employees Pay Act.

The bill before you differs from the one approved by this Committee and passed by the House of Representatives only in relatively minor respect. The changes do, however, shorten the bill considerably and eliminate consideration of twelve differing travel, allowances and related expense authorities.

As I expressed to you last year, certain of the provisions of that bill were requested for the purpose of clarifying Agency authority. Those sections have been deleted from the present bill which contains only the authorities we feel are necessary for

I would like to emphasize that with one exception, each of the authorities in this bill has already received the approval of Congress in either the Civil Service or Foreign Service retirement systems. (Section 6, Transfer of Government Contributions).

IMPLEMENTATION OF THE CIA RETIREMENT AND DISABILITY SYSTEM

1. Designation of Participants

We have screened the files of [REDACTED] individuals who had been on duty for three years or more at the time the CIA Retirement Act was approved and determined that [REDACTED] were eligible for designation as participants.

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2. Retirements

Against the ceiling of 400 retirements as of 30 June 1969, we have had only 124 voluntary, involuntary, and mandatory retirements. In addition, we have had 13 disability retirements and 23 deaths in service -- neither chargeable to the 400 ceiling -- for a total of 160 separations from active employment of participants in the system.

Barring unforeseen developments, the balance of 276 of the "retirement ceiling" would appear to be adequate for our needs through 30 June 1969. Present forecasts indicate that the 400 limitation for the period from July 1969 - June 1974 may not be sufficient.

Retirements and deaths in service to date have been as follows:

	<u>Total</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Voluntary	84	22	28	34
Mandatory	39	15	16	8
Involuntary	1	0	0	1
Disability	<u>13</u>	<u>2</u>	<u>1</u>	<u>10</u>
Total Retirements	137	39	45	53
Deaths in Service	<u>23</u>	<u>6</u>	<u>10</u>	<u>7</u>
TOTAL	160	45	55	60

The average age of retirees to date has been slightly over 55. It is significant to note that 57 of the 84 "voluntary" retirees were under age 55.

The average grade of retirees has been GS-13 and the average annuity has been \$6,334.

Qualifying service of retirees has averaged 83.5 months (almost 7 years) and their total federal service has average 24.4 years.

3. Financial Aspects of the CIA Retirement and Disability Fund

Arrangements have been made with the Department of the Treasury for the services of the same Actuary who has been working with the Foreign Service Retirement and Disability Fund. With his assistance, provision has been made to collect experience data essential for an actuarial analysis of the CIA Fund in future years. A projection of the CIA Fund, based upon estimated income and annuity payments, indicates that the Fund will be self supporting for a number of years before it will be necessary to request financial support of the Fund by an appropriation.

Through 30 September 1967, the Fund received actual income of \$22.7 million from all sources and paid out \$1.2 million in annuity benefits, transfers back to the CSC, refunds to beneficiaries, and miscellaneous expense. Under special arrangements with the Secretary of the Treasury, the Fund has been invested in United States Securities having a par value of \$22,021,500. Approximately a 4% yield should be realized from these investments. The Net Worth of the Fund as of 30 September 1967 is \$21.5 million.

Schedule of Investments -- By Series

<u>Rate of Interest</u>	<u>Maturity</u>	<u>Par Value</u>
3 1/2%	1980	\$ 587,000
4 %	1980	3,495,500
4 1/8%	1973	6,521,500
4 1/4%	1975-85	5,377,000
4 1/4%	1987-92	6,040,500
TOTAL		<u>\$22,021,500</u>

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, there is herewith printed in parallel columns the text of provisions of existing law which would be repealed or amended by the various provisions of the bill as reported.

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Central Intelligence Agency Retirement Act of 1964 for Certain Employees, (50 U.S.C. 403 note.)

Sec. 1. The Central Intelligence Agency Retirement Act of 1964 for Certain Employees, (78 Stat. 1043; 50 U.S.C. 403 note) is amended by striking subsection 204(b)(3) and inserting the following in lieu thereof:

Sec. 204(b)(3) "Child", for the purposes of section 221 and 232 of this Act, means an unmarried child, including (i) an adopted child, and (ii) a stepchild or recognized natural child who received more than one-half of his support from and lived with the participant in a regular parent-child relationship, under the age of eighteen years, or such unmarried child regardless of age who because of physical or mental disability incurred before age eighteen is incapable of self-support or such unmarried child between eighteen and

"(3) 'Child', for the purposes of sections 221 and 232 of this Act, means an unmarried child, including (i) an adopted child, and (ii) a stepchild or recognized natural child who lived with the participant in a regular parent-child relationship, under the age of eighteen years, or such unmarried child regardless of age who because of physical or mental disability incurred before age eighteen is incapable of self-support, or such unmarried child between eighteen and twenty-two years of age who is a student regularly pursuing a

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twenty-one years of age who is a student regularly pursuing a full-time course of study or training in residence in a high school, trade school, technical or vocational institute, junior college, college, university, or comparable recognized educational institution. A child whose twenty-first birthday occurs prior to July 1 or after August 31 of any calendar year, and while he is regularly pursuing such a course of study or training, shall be deemed for the purposes of this paragraph and section 221(e) of this Act to have attained the age of twenty-one on the first day of July following such birthday. A child who is a student shall not be deemed to have ceased to be a student during any interim between school years if the interim does not exceed four months and if he shows to the satisfaction of the Director that he has a bona fide intention of continuing to pursue a course of study or training in the same or different school during the school semester (or other period into which the school year is divided) immediately following the interim.

Sec. 221.(a) The annuity of a participant shall be equal to 2 per centum of his average basic salary for the highest five consecutive years of service, for which full contributions have been made to the fund, multiplied by the number of years, not exceeding thirty-five, of

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full-time course of study or training in residence in a high school, trade school, technical or vocational institute, junior college, college, university, or comparable recognized educational institution. A child whose twenty-second birthday occurs prior to July 1 or after August 31 of any calendar year, and while he is regularly pursuing such a course of study or training, shall be deemed for the purposes of this paragraph and section 221(e) of this Act to have attained the age of twenty-two on the first day of July following such birthday. A child who is a student shall not be deemed to have ceased to be a student during any interim between school years if the interim does not exceed five months and if he shows to the satisfaction of the Director that he has a bona fide intention of continuing to pursue a course of study or training in the same or different school during the school semester (or other period into which the school year is divided) immediately following the interim. The term 'child', for purposes of section 241, shall include an adopted child and a natural child, but shall not include a stepchild."

Sec. 2. Section 221(a) of the Central Intelligence Agency Retirement Act (50 U.S.C. 403 note) is amended by striking out "thirty-five" and substituting "forty".

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service credit obtained in accordance with the provisions of sections 251 and 252. In determining the aggregate period of service upon which the annuity is to be based, the fractional part of a month, if any, shall not be counted.

Sec. 221(b) At the time of retirement, any married participant may elect to receive a reduced annuity and to provide for an annuity payable to his wife or her husband, commencing on the date following such participant's death and terminating upon the death or remarriage of such surviving wife or husband. The annuity payable to the surviving wife or husband after such participant's death shall be 55 per centum of the amount of the participant's annuity computed as prescribed in paragraph (a) of this section, up to the full amount of such annuity specified by him as the base for the survivor benefits. The annuity of the participant making such election shall be reduced by 2 1/2 per centum of any amount up to \$3,600 he specified as the base for the survivor benefit plus 10 per centum of any amount over \$3,600 so specified.

Sec. 232. (b) If a participant, who has at least five years of service credit toward retirement under the system, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252(a)(2), dies before separation or retirement from the Agency and is survived by a widow or dependent widower, as defined in section 204, such widow

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Sec. 3. Section 221(b) of the Central Intelligence Agency Retirement Act (50 U.S.C. 403 note) is amended by deleting the words "or remarriage" from the first sentence, and section 232(b) is amended by deleting the words "or remarriage" from the second sentence.

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or dependent widower shall be entitled to an annuity equal to 55 per centum of the annuity computed in accordance with the provisions of section 221(a). The annuity of such widow or dependent widower shall commence on the date following death of the participant and shall terminate upon death or remarriage of the widow or dependent widower, or upon the dependent widower's becoming capable of self-support.

Sec. 221. (e) The annuity payable to a child under paragraph (c) or (d) of this section shall begin on the day after the participant dies, and such annuity or any right thereto shall terminate on the last day of the month before (1) his attaining age eighteen unless incapable of self-support, (2) his becoming capable of self-support after age eighteen, (3) his marriage, or (4) his death, except that the annuity of a child who is a student as described in section 204(b)(3) of this Act shall terminate on the last day of the month before (1) his marriage, (2) his death, (3) his ceasing to be such a student, or (4) his attaining age twenty-one.

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Sec. 4. Section 221(e) of the Central Intelligence Agency Retirement Act (50 U.S.C. 403 note) is amended to read as follows:

"(e) The commencing date of an annuity payable to a child under paragraph (c) or (d) of this section, or (c) or (d) of section 232, shall be deemed to be the day after the annuitant or participant dies, with payment beginning on that day or beginning or resuming on the first day of the month in which the child later becomes or again becomes a student as described in section 204(b)(3), provided the lump-sum credit, if paid, is returned to the fund. Such annuity shall terminate on the last day of the month before (1) the child's attaining age eighteen unless he is then a student as described or incapable of self-support, (2) his becoming capable of self-support after attaining age eighteen unless he is then such a student, (3) his attaining age twenty-two if he is then such a student and not incapable of self-support,

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Sec. 221. (f) Any unmarried participant retiring under the provisions of this Act and found by the Director to be in good health may at the time of retirement elect a reduced annuity, in lieu of the annuity as hereinbefore provided, and designate in writing a person having an insurable interest (as that term is used in section 9(h) of the Civil Service Retirement Act (5 U.S.C. 2259(h)) in the participant to receive an annuity after the participant's death. The annuity payable to the participant making such election shall be reduced by 10 per centum of an annuity computed as provided in paragraph (a) of this section, and by 5 per centum of an annuity so computed for each full five years the person designated is younger than the participant, but such total reduction shall not exceed 40 per centum. The annuity of a survivor designated under this paragraph shall be 55 per centum of the reduced annuity computed as prescribed above. The annuity payable to a beneficiary under the provisions of this paragraph shall begin on the first day of the next month after the participant dies. Upon the death of the surviving beneficiary all payments shall cease and no further annuity payments authorized under this paragraph shall be due or payable.

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(4) his ceasing to be such a student after attaining age eighteen unless he is then incapable of self-support, (5) his marriage, or (6) his death, whichever first occurs."

Sec. 5. Section 221 of the Central Intelligence Agency Retirement Act (50 U.S.C. 403 note) is amended by deleting the last two sentences of subsection (f), and adding the following new paragraphs (g) and (h):

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See 221(f) above.

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"(g) Except as otherwise provided, the annuity of a participant shall commence on the day after separation from the service, or on the day after salary ceases and the participant meets the service and the age or disability requirements for title thereto. The annuity of a participant under section 234 shall commence on the day after the occurrence of the event on which payment thereof is based. An annuity otherwise payable from the fund allowed on or after date of enactment of this provision shall commence on the day after the occurrence of the event on which payment thereof is based.

"(h) An annuity payable from the fund on or after date of enactment of this provision shall terminate (1) in the case of a retired participant, on the day death or any other terminating event occurs, or (2) in the case of a survivor, on the last day of the month before death or any other terminating event occurs."

Sec. 6. Section 252 of the Central Intelligence Agency Retirement Act (50 U.S.C. 403 note) is amended by deleting subsection (c)(1); renumbering subsections (c)(2) and (c)(3) to read (c)(3) and (c)(4); and inserting the following new subsections (c)(1) and (c)(2):

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Sec. 252. (c)(1) If an officer or employee under some other Government retirement system becomes a participant in the system by direct transfer, such officer or employee's total contributions and deposits, including interest accrued thereon, except voluntary contributions, shall be transferred to the fund effective as of the date such officer or employee becomes a participant in the system. Each such officer or employee shall be deemed to consent to the transfer of such funds and such transfer shall be a complete discharge and acquittance of all claims and demands against the other Government retirement fund on account of service rendered prior to becoming a participant in the system.

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"(c)(1) If an officer or employee under some other Government retirement system becomes a participant in the system by direct transfer, the Government's contributions under such retirement system on behalf of the officer or employee shall be transferred to the fund and such officer or employee's total contributions and deposits, including interest accrued thereon, except voluntary contributions, shall be transferred to his credit in the fund effective as of the date such officer or employee becomes a participant in the system. Each such officer or employee shall be deemed to consent to the transfer of such funds and such transfer shall be a complete discharge and acquittance of all claims and demands against the other Government retirement fund on account of service rendered prior to becoming a participant in the system.

"(c)(2) If a participant in the system becomes an employee under another Government retirement system by direct transfer to employment covered by such system, the Government's contributions to the fund on his behalf may be transferred to the fund of the other system and his total contributions and deposits, including interest accrued thereon, except voluntary contributions, may be transferred to his credit in the fund of such other retirement system at the request of the

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Sec. 273. (a) Notwithstanding any other provision of law, any annuitant who has retired under this Act and who is reemployed in the Federal Government service in any appointive position either on a part-time or full-time basis shall be entitled to receive his annuity payable under this Act, but there shall be deducted from his salary a sum equal to the annuity allocable to the period of actual employment.

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officer or employee effective as of the day he becomes eligible to participate in such other retirement system. Each such officer or employee in requesting such transfer shall be deemed to consent to the transfer of such funds and such transfer shall be a complete discharge and acquittance of all claims and demands against the fund on account of service rendered prior to his becoming eligible for participation in such other system."

Sec. 7. Section 273 of the Central Intelligence Agency Retirement Act (50 U.S.C. 403 note) is amended by deleting subsection (a); renumbering subsection (b) to read (c); and inserting the following new subsections (a) and (b):

"(a) Notwithstanding any other provision of law, any annuitant who has retired under this Act and who is reemployed in the Federal Government service in any appointive position either on a part-time or full-time basis shall be entitled to receive the salary of the position in which he is serving plus so much of his annuity payable under this Act which when combined with such salary does not exceed during any calendar year the basic salary such officer or employee was entitled to receive on the date of his retirement

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Sec. 291. (a) On the basis of determinations made by the Civil Service Commission pursuant to section 18 of the Civil Service Retirement Act, as amended, pertaining to per centum change in the price index, the following adjustments shall be made:

(1) Effective April 1, 1966, if the change in the price index from 1964 to 1965 shall have equaled a rise of at least 3 per centum, each annuity payable from the fund which has a commencing date earlier than January 2, 1965, shall be increased by the

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from the Agency. Any such reemployed officer or employee who receives salary during any calendar year in excess of the maximum amount which he may be entitled to receive under this paragraph shall be entitled to such salary in lieu of benefits hereunder.

"(b) When any such annuitant is reemployed, he shall notify the Director of Central Intelligence of such reemployment and shall provide all pertinent information relating thereto."

Sec. 8. Section 291 of the Central Intelligence Agency Retirement Act (50 U.S.C. 403 note) is amended to read as follows:

"Sec. 291. (a) On the basis of determinations made by the Director pertaining to per centum change in the price index, the following adjustments shall be made:

"(1) Each annuity payable from the fund on January 1, 1967, shall be increased on that date by (a) 12.4 per centum for annuities which commence on or before January 1, 1966, or (b) 4.9 per centum for annuities which commence on or between January 2, 1966, and

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per centum rise in the price index adjusted to the nearest one-tenth of 1 per centum.

(2) Effective April 1 of any year other than 1966 after the price index change shall have equaled a rise of at least 3 per centum, each annuity payable from the fund which has a commencing date earlier than January 2 of the preceding year shall be increased by the per centum rise in the price index adjusted to the nearest one-tenth of 1 per centum.

(b) Eligibility for an annuity increase under this section shall be governed by the commencing date of each annuity payable from the fund as of the effective date of an increase, except as follows:

(1) Effective from the date of the first increase under this section, an annuity payable from the fund to an annuitant's survivor (other than a child entitled under section 221(c)), which annuity commenced the day after the annuitant's death, shall be increased as provided in subsection (a)(1) or (a)(2) if the commencing date of annuity to the annuitant was earlier than January 2 of the year preceding the first increase.

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January 1, 1967.

"(2) Each month beginning with November 1966 the Director shall determine the per centum change in the price index. Effective the first day of the third month which begins after the price index shall have equaled a rise of at least 3 per centum for three consecutive months over the price index for the base month, each annuity payable from the fund which has a commencing date not later than such effective date shall be increased by the per centum rise in the price index (calculated on the highest level of the price index during the three consecutive months) adjusted to the nearest one-tenth of 1 per centum.

"(b) Eligibility for an annuity increase under this section shall be governed by the commencing date of each annuity payable from the fund as of the effective date of an increase, except as follows:

"(1) Effective from its commencing date, an annuity payable from the fund to an annuitant's survivor (other than a child entitled under section 221(c)), which annuity commences the day after annuitant's death and after January 1, 1967, shall be increased by the total per centum increase the annuitant was receiving under this section at death; or if death occurred between January 1, 1967, and date of enactment, the per centum increase

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(2) Effective from its commencing date, an annuity payable from the fund to an annuitant's survivor (other than a child entitled under section 221(c)), which annuity commences the day after the annuitant's death and after the effective date of the first increase under this section, shall be increased by the total per centum increase the annuitant was receiving under this section at death.

(3) For purposes of computing an annuity which commences after the effective date of the first increase under this section to a child under section 221(c), the items \$600, \$720, \$1,800, and \$2,160 appearing in section 221(c) shall be increased by the total per centum increase allowed and in force under this section and, in case of a deceased annuitant, the items 40 per centum and 50 per centum appearing in section 221(c) shall be increased by the total per centum increase allowed and in force under this section to the annuitant at death. Effective from the date of the first increase under this section, the provisions of this paragraph shall apply as if such first increase were in effect with respect to computation of a child's annuity under section 221(c) which commenced between January 2 of the year preceding the first increase and the effective date of the first increase.

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the annuitant would have received.

"(2) Effective from its commencing date, an annuity payable from the fund to a child under section 221(c), which annuity commences the day after annuitant's death and after January 1, 1967, shall be increased by (a) 2 per centum if the annuity from which it is derived commenced on or before January 1, 1966, or (b) 1 per centum if the annuity from which it is derived commenced on or between January 2, 1966, and January 1, 1967.

"(3) For the purposes of computing an annuity which commences after January 1, 1967, to a child under section 221(c), the items \$600, \$720, \$1,800, and \$2,160 appearing in section 221(c) shall be increased by 10.2 per centum plus the total per centum increase allowed and in force under section 291(a)(2) for employee annuities, and, in case of a deceased annuitant, the items 40 per centum and 50 per centum appearing in section 221(c) shall be increased by the total per centum increase allowed and in force under this section to the annuitant at death; or if death occurred between January 1, 1967, and date of enactment, the per centum increase the annuitant would have received.

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(c) No increase in annuity provided by this section shall be computed on any additional annuity purchased at retirement by voluntary contributions.

(d) The monthly installment of annuity after adjustment under this section shall be fixed at the nearest dollar.

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"(c) Any annuity increased under this section shall be decreased by the amount of increase in force and effect with respect to that annuity under section 291 prior to the date of enactment of this Act.

"(d) The term 'price index' shall mean the Consumer Price Index (all items--United States city average) published monthly by the Bureau of Labor Statistics. The term 'base month' shall mean the month of October 1966 for the first increase under section 291(a)(2) and thereafter the month for which the price index showed a per centum rise forming the basis for a cost-of-living annuity increase.

"(e) No increase in annuity provided by this section shall be computed on any additional annuity purchase at retirement by voluntary contributions.

"(f) The monthly installment of annuity after adjustment under this section shall be fixed at the nearest dollar, except that such installment shall after adjustment reflect an increase of at least one dollar."

DROPPED

National Security Act of 1947,
as amended, (50 U.S.C. 405)

Sec. 303(a). The Director of the Office

Sec. 9. Section 5 of the Central

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of Civil and Defense Mobilization, the Director of Central Intelligence, and the National Security Council, acting through its Executive Secretary, are authorized to appoint such advisory committees and to employ, consistent with other provisions of this Act, such part-time advisory personnel as they may deem necessary in carrying out their respective functions and the functions of agencies under their control. Persons holding other offices or positions under the United States for which they receive compensation, while serving as members of such committees, shall receive no additional compensation for such service. Other members of such committees and other part-time advisory personnel so employed may serve without compensation or may receive compensation at a rate not to exceed \$50 for each day of service, as determined by the appointing authority.

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Intelligence Agency Act (50 U.S.C. 403f) is amended by adding the following new paragraph:

"(f) Appoint advisory committees and employ, notwithstanding any other provisions of law, part-time advisory personnel necessary to carry out the functions of the Agency. Persons holding other offices or positions under the United States for which they receive compensation, while serving as members of such committees, shall receive no additional compensation for such service. Other members of such committees and part-time advisory personnel so employed may serve without compensation or may receive compensation at rates determined by the Director, not to exceed \$100 per day for the assignment or position."

Federal Employees Pay Act of 1945,
as amended, (5 U.S.C. 5541(2))

Sec. 10. Section 5541(2) of title 5, United States Code, is amended by (1) striking out "or" at the end of paragraph (xii);

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(2) deleting the period at the end of paragraph (xiii) and inserting "; or"; and (3) adding the following new paragraph: "(xiv) an officer or employee of the Central Intelligence Agency.".

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RETIREMENT ACT AMENDMENTS

Section 1. Definition "Child"

Sections 1 through 8 provide technical amendments and additional authority for the administration of the Agency Retirement Act [which the Director talked to you about this morning.] Looking to the provisions of the bill, section 1 provides an expanded definition of the word "child" as used in the retirement provisions.

The change makes our word "child" consistent with the current Civil Service definition of the term.

The changes (a) eliminate the requirement that a child be dependent upon a parent participant in order to receive a survivor annuity, (b) raises from 21 to 22 the maximum age for receiving survivor annuity payments as a student, (c) increases from 4 to 5 the maximum months absence from school which may be permitted without terminating such a survivor annuity, and (d) permits a natural child of a deceased participant to share in the distribution of any money or deposit in the CIA Retirement and Disability Fund which belongs to the deceased participant.

Section 2. Computation of Annuities

This is the only provision in the bill which was not considered by the Committee last year. Its effect is to raise the maximum annuity payable to our retirees from 70% to 80% of the average salary of the high five consecutive years. This is the same maximum percentage payable under Civil Service. A similar proposal for the benefit of Foreign Service retirees was approved by the Senate in June and is now pending before the House Foreign Affairs Committee.

The proposed annuity ceiling increases from 35 to 40 the number of years of service that may be credited in computing an annuity.

The 35 year limitation denies to a number of people the full benefit of actual years of service. Seven such cases have already occurred and there will be more in the future.

Section 3. Widow's Annuity

This section permits the annuity of a widow or a dependent widower to continue in the event of remarriage. Under existing law survivor annuities to widows or dependent widowers are terminated upon remarriage.

This proposal is the same as the provision applicable under the Foreign Service Act.

The Civil Service Commission has also moved in this same direction by permitting a widow after age 60 to retain her annuity in the event of remarriage. However, Civil Service retirement looks to age 60 for retirement without penalty, while our Act and that of Foreign Service looks to the age 50 area. In addition, we feel that the wife is a necessary element in our personnel team, particularly in overseas situations and that her annuity is one that is "earned" in the truest sense of the word.